JCX-16-86

PRELIMINARY

ESTIMATED REVENUE EFFECTS OF SENATE OFFER (RELATIVE TO SENATE AMENDMENT)

[Billions of Dollars]

Provisions	Fiscal Years 1986-91
I. POSSIBLE REVENUE RAISERS (NOT IN EITHER BILL)	
1. Limit the mortgage interest deduction to interest on mortgages in an amount equal to the purchase price of the residence and improvement costs (i.e., eliminate ability to borrow against appreciation in order to avoid the consumer and investment interest limitations)	3.9
2. Shift incidence of the gasoline excise tax from wholesalers to refiners or importers to minimize revenue loss from evasion schemes	1.0
3. Take account of tax-exempt interest for purposes of the phase-outs of personal exemptions, the 15 percent individual rate bracket, the graduated corporate rates, and the $25,000 real estate passive loss rule. Tax-exempt interest is taken into account in a similar manner under the current law rules taxing social security benefits	1.5
4. Eliminate tax-exempt status of large credit unions (over $10.0 million of gross receipts)	0.9
5. Require State and local governments to use the same employment tax deposit rules as private employers (as currently required of governmental employers with respect to income tax withholding)	1.1
6. Require recognition of prepaid income upon receipt by accrual basis taxpayers (repeal IRS Rev. Proc. 71-21)	1.5
7. Adopt new sales tax table	*
8. Sec. 401(k) plans: Apply $5,000 annual cap	1.5

J862-31

Provisions	Fiscal Years 1986-91
II. FROM DOCUMENT ENTITLED "COMPARISON OF SENATE AND HOUSE BASE BROADENERS"	
A. Base Broadeners Contained in House Bill	
1. Repeal the provision of present law that permits contributions to regulated public utilities in aid of construction to be treated as nontaxable contributions.....	0.5
2. Modify tax-exempt bond provisions.....	2.0
3. Require corporations to recognize gain with respect to the liquidating distribution or sale of ordinary income-type items, including inventory, certain amortizable assets, and full recapture of real property depreciation.....	1.0
B. Base Broadeners Which are Common to Both Bills but Raise More Revenue in House Version	
1. Allocate interest and other expenses to foreign income under modified approach.....	1.5
C. Revenue Losers That are Larger in Senate Version	
1. Extend research and experimentation tax credit for 3 years (rather than 4 years); For depreciation purposes, R&E property goes to 3-year class after 3 years (rather than 4 years).....	2.0
2. Reduce the deduction for self-employed health insurance from 50 percent of premiums to 25 percent.....	1.0
3. Eliminate provision increasing from $3,000 to $5,000 the amount of payroll taxes an employer may retain before making a deposit.....	2.0
4. Group legal and educational assistance extended through 1987.....	1.5
TOTAL REVENUE GAIN	**22.9**

Joint Committee on Taxation
July 28, 1986

* This provision is under review.